

Message Text

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PAGE 01 WARSAW 08002 081037Z

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C O N F I D E N T I A L WARSAW 8002

E.O. 11652: GDS
TAGS: ECON PL
SUBJECT: MORE ON GOP ECONOMIC PLANS

1. SUMMARY. IN A LONG CONVERSATION WITH AN EMBOFF, THE CHIEF OF CABINET FOR VICE PREMIER PYKA PROVIDED INFORMATION ON FUTURE PLANS OF THE GIEREK GOVERNMENT. THE GOP IS NOW EXAMINING PROPOSALS TO INCREASE THE SCOPE FOR PRIVATE INITIATIVE IN PERSONAL AND GASTRONOMIC SERVICES AND IS SERIOUSLY CONSIDERING AN INCREASE IN THE MAXIMUM AMOUNT OF THE LAND WHICH CAN BE OWNED BY INDIVIDUALS. THE AIDE SAID THAT GIEREK IS DISSATISFIED WITH THE PACE OF WORK OF THE FIVE COMMISSIONS SET UP IN THE WAKE OF HIS MIELEC SPEECH AND HAS REPRIMANDED THE BUREAUCRATS FOR PRODUCING "WORDS, NOT RESULTS". END SUMMARY.

2. IN A WIDE-RANGING CONVERSATION WITH AN EMBOFF ON NOV 3, JERZY ROSTAFINSKI, CHIEF OF CABINET FOR VICE PREMIER PYKA, SAID THAT COMMISSION FOR EXAMING MARKET SUPPLIES AND RESERVES, HEADED BY SZYDLAK, WAS CONSIDERING PROPOSALS DESIGNED TO ENCOURAGE MORE PARTICIPATION OF THE PRIVATE SECTOR IN SERVICES, SMALL MANUFACTURING, AND THE TOURIST AND GASTRONOMIC INDUSTRIES. (COMMENT: VICE PREMIER
CONFIDENTIAL

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PAGE 02 WARSAW 08002 081037Z

PYKA IS AN IMPORTANT MEMBER OF THE SZDLAK COMMITTEE.

END COMMENT.) ROSTAFINSKI ADMITTED THAT POLISH CONSUMERS HAVE A HARD TIME FINDING TRAINED SERVICE PEOPLE TO MAKE REPAIRS ON AUTOMOBILES AND SMALL APPLIANCES. IT IS, HE SAID, NEARLY IMPOSSIBLE TO ENGAGE CARPENTERS AND PAINTERS TO PERFORM HOME REPAIR AND FOR CONSUMERS TO OBTAIN MANY SMALL CONSUMER ITEMS LIKE CURTAIN RODS. SUCH GOODS PLAY A SMALL ROLE IN THE ECONOMY, BUT A LARGE ROLE IN THE HAPPINESS OF CONSUMERS.

3. ROSTAFINSKI SAID THAT, IF THESE PROPOSALS ARE APPROVED BY THE COUNCIL OF MINISTERS, OPERATORS OF PRIVATE BUSINESSES WOULD BE ASSURED OF A MORE STABLE ENVIRONMENT. (COMMENT: MANY PRIVATE BUSINESSMEN HAVE BEEN UNWILLING TO EXPAND THE SCOPE OF THEIR OPERATIONS, IN PART BECAUSE UNEXPECTED TAX AND LICENSE LEVIES BY CENTRAL AND LOCAL AUTHORITIES HAVE UPSET PROFIT CALCULATIONS IN THE PAST. END COMMENT.) ROSTAFINSKI STATED THAT THE SOCIALIZED SECTOR COULD NOT SATISFY ALL THE DEMANDS FOR BASIC CONSUMER SERVICES AND AN EXPANDED ROLE FOR THE PRIVATE SECTOR WAS NECESSARY. HE SAW NO REASON WHY THIS APPROACH SHOULD BE INCOMPATIBLE WITH SOCIALISM AND EXPRESSED HIS HOPE THAT AMERICAN BUSINESSMEN WITH POLONIA BACKGROUNDS WOULD TAKE ADVANTAGE OF THE RECENT DECREE PERMITTING INVESTMENT IN SERVICES AND TOURISM. ROSTAFINSKI ADMITTED THAT EXISTING REGULATIONS ARE CONFUSING AND HARD TO PENETRATE. THE MINISTRY OF FINANCE IS NOW PREPARING A COMMENTARY ON RELEVANT REGULATIONS TO HELP GUIDE FOREIGN BUSINESSMEN. ROSTAFINSKI THOUGHT IT WAS INEVITABLE THAT FOREIGN INVESTMENT WOULD ULTIMATELY BE PERMITTED IN JOINT VENTURES WITH SOCIALIZED ENTERPRISES, ALTHOUGH THE ROLE OF PRIVATE INVESTMENT WOULD BE CIRCUMSCRIBED BY "POLITICAL" CONSIDERATIONS. (COMMENT: WE TAKE THIS TO MEAN CONSTRAINTS IMPOSED BY THE SOVIETS. END COMMENT)

4. ACCORDING TO ROSTAFINSKI, PROPOSALS ARE ALSO BEING EXAMINED WHICH WOULD PERMIT THE EXPANSION OF PRIVATE FARMS IN THE SOUTH AND SOUTHEAST SECTIONS OF POLAND. IN THE NORTHEAST AND WESTERN SECTIONS, THE FURTHER GROWTH OF PGR'S WILL BE ENCOURAGED, BUT, IN THE SOUTH AND SOUTH-CONFIDENTIAL

CONFIDENTIAL

PAGE 03 WARSAW 08002 081037Z

EAST, THE FRAGMENTATION OF LAND HOLDINGS MAKES IT NEARLY IMPOSSIBLE TO EXPAND THE SCOPE OF SOCIALIZED AGRICULTURE WITHOUT COERCIVE MEASURES. ROSTAFINSKI SAID THE PROPOSALS BEFORE THE COUNCIL OF MINISTERS WOULD PERMIT PRIVATE FARMERS TO HOLD UP TO 60 HECTARES OF LAND. SUITABLE GUARANTEES WOULD BE MADE TO ENCOURAGE INVESTMENT AND TO CONVINCE THE PEASANTRY THAT THE MEASURES WERE NOT A TEMPORARY EXPEDIENT, BUT A MEANINGFUL LONG-RANGE PROGRAM.

ROSTAFINSKI SAID THAT ONE OF THE GREAT POSTWAR ERRORS IN POLISH ECONOMIC POLICY HAD BEEN THE RETREAT FROM COLLECTIVIZATION OF AGRICULTURE IN 1956. NO DOUBT FORCED COLLECTIVIZATION WOULD HAVE LED TO HUNGER FOR TEN YEARS, BUT AFTER THAT STRUCTURAL PROBLEMS IN AGRICULTURE WOULD HAVE BEEN OVERCOME. POLAND'S AGRICULTURAL POLICIES, ACCORDING TO ROSTAFINSKI, HAD ONLY DELAYED THE INEVITABLE PROCESS OF MODERNIZATION FOR TWENTY-FIVE YEARS.

5. ROSTAFINSKI SAID THAT THE DECISION TO MERGE THE GOVERNMENT STORES WITHING THE SPOLEM (CENTRAL ASSOCIATION OF FOODSTUFFS COOPERATIVES) ORGANIZATION IN JULY 1976 WAS OFFICIALLY UNDERTAKEN TO CUT BUREAUCRATIC RED TAPE AND TO IMPROVE THE SELECTION OF MERCHANDISE IN STORES. WHILE THE JOBS OF MANY FUNCTIONARIES WERE ELIMINATED, THE REAL REASON FOR THE MOVE, IN ROSTAFINSKI'S VIEW, WAS TO MAKE IT MORE DIFFICULT FOR CLERKS TO PRACTICE FAVORITISM IN MAKING SALES. ROSTAFINSKI THOUGHT THAT THE RECENT MEASURES TO LIMIT SPECULATION ON PRIVATE MARKETS WOULD HAVE LITTLE IMPACT. ROSTAFINSKI OBSERVED THAT BLACK-MARKETEERS IN THE MEAT TRADE DURING WW II WERE SUBJECT TO SUMMARY EXECUTION IF THEY WERE CAUGHT IN ILLEGAL TRANSACTIONS; YET, IN WARSAW, MEAT COULD ALWAYS BE FOUND BY THOSE WITH MONEY.

6. ROSTAFINSKI ACKNOWLEDGED THAT LIVESTOCK NUMBERS WERE STILL DECLINING AND SAID THAT HE BELIEVED THE MEAT SITUATION WOULD WORSEN IN 1977, EVEN WITH THE IMPORTS NOW BEING UNDERTAKEN. THE PRICE OF POTATOES COMPARED TO PROCURMENT PRICES FOR MEAT IS TOO HIGH, AND FARMERS CAN MAKE A LARGER PROFIT BY SELLING THEIR POTATOES TO THE STATE RATHER THAN USING THEM FOR FODDER IN MEAT PRODUCTION.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 WARSAW 08002 081037Z

7. ROSTAFINSKI CRITICIZED GIEREK'S DECISION TO ROLL BACK FOOD PRICES IN 1971 AND CHARACTERIZED IT AS THE WORST ECONOMIC DECISION IN THE POST-WAR ERA. IF GIEREK HAD RAISED WAGES TO OFFSET THE FOOD-PRICE HIKES, POLICY-MAKERS WOULD HAVE BEEN ABLE TO MOLD AN INTERNALLY CONSISTENT ECONOMIC POLICY. NOW CONSUMERS EXPECT--AS THE JUNE EVENTS SHOWED--THAT THEIR INCOMES WILL GO UP WHILE PRICES REMAIN FIXED.

8. ACCORDING TO ROSTAFINSKI, GIEREK IS IRRITATED WITH THE PACE OF WORK BEING CARRIED OUT IN THE FIVE SPECIAL COMMITTEES ESTABLISHED IN THE WAKE OF HIS MIELEC SPEECH. ROSTAFINSKI SAID THAT GIEREK HAD RECENTLY REBUKED PARTY BUREAUCRATS FOR PRODUCING "WORDS, NOT RESULTS." GIEREK

REPORTEDLY STATED THAT THE DOOR WAS OPEN FOR THE DEPARTURE OF THOSE WHO COULD NOT FACE UP THE CURRENT SITUATION. ROSTAFINSKI CONFIRMED THAT THE PROPOSALS OF THE VARIOUS COMMISSIONS WOULD BE EXAMINED AT THE PZPR PARTY CONVENTION TENTATIVELY SCHEDULED FOR DECEMBER, 1977. PRESUMABLY, NO MAJOR STEPS WILL BE TAKEN WITH REGARD TO PRICES UNTIL AFTER THAT CONVOCATION.

9. COMMENT: WHILE ADMITTEDLY THE VIEWS OF ONLY ONE STAFF ASSISTANT, ROSTAFINSKI'S COMMENTS GIVE SOME IDEA OF THE SCOPE OF PROPOSALS NOW BEING DISCUSSED WITHIN THE GOP. SINCE EXPANSION OF PRIVATE-SECTOR ACTIVITY IS ONE OF THE FEW COURCES OPEN TO THE GIEREK REGIME TO AMELIORATE ITS CURRENT DIFFICULTIES, THE CHANCES ARE GOOD THAT SOME OF THESE PROPOSALS WILL ULTIMATELY BE APPROVED BY THE GOP. END COMMENT.
DAVIES

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